

## A Decent Home and a Suitable Living Environment at an Affordable Price

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Briefing for the Little Hoover Commission

April 27, 2001  
Sacramento



## Outline

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- Affordable Housing Defined
- Need Estimates
- Sources of the Problem
- Federal, and State Funding
- Policy Options

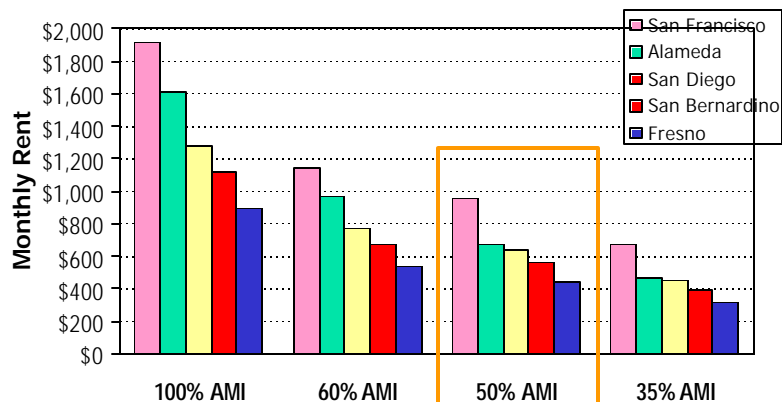


## Affordable Housing Defined

- Moderate-income housing 80-120% AMI
  - Low-income 60-80% AMI
  - Very low-income 50-60% AMI
  - Extremely low-income 35-50% AMI
  - "At risk of homelessness" < 35% AMI
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- AMI varies by household size and county
  - Housing is considered affordable if a household's monthly living expenses (rents + utilities) are less than 30% of its gross income.



## Low-income Rents by County (2 Bedroom Unit)



Source: TCAC, 2001

## Estimates of Need

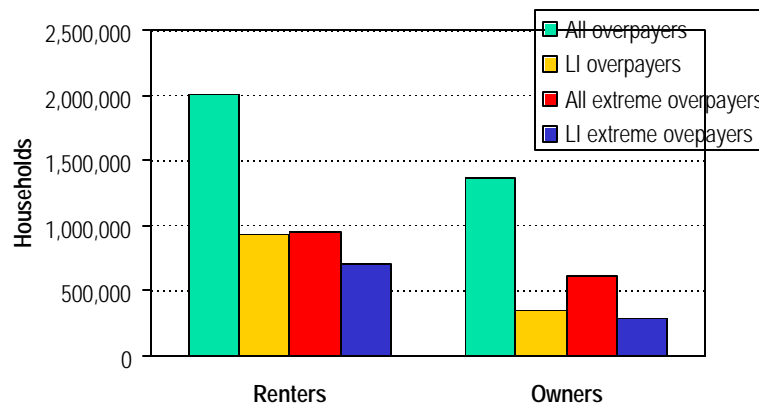
### Raising the Roof (HCD, 2000; from 1995 AHS)

- Currently about **2.4 million** California households need some form of housing assistance (are low-income and are over-paying).
- If that percentage stays constant at 22%, the number of households needing housing assistance could rise to **3.7 million** by 2020.

### Still Locked Out (California Budget Project, March 2001, from 1999 AHS)

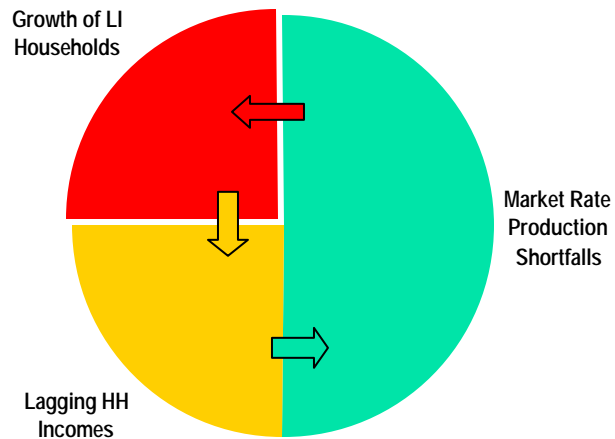
- Statewide, 2.3 low-income renter households per affordable unit, or a shortage of **581,000 units**.
- About **half of California renters pay more than 30%** of their income for rent
- 90% of low-income renters "overpay"** for rent
- 79% of low-income home-owners** overpay.

## How Many California Households Overpay?

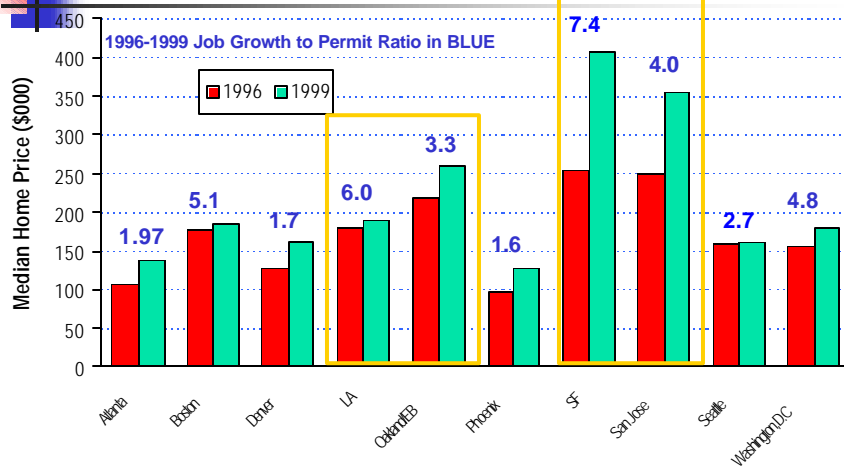


Source: California Budget Project, from 1999 AHS

## The Source of the Problem: A Conceptual View

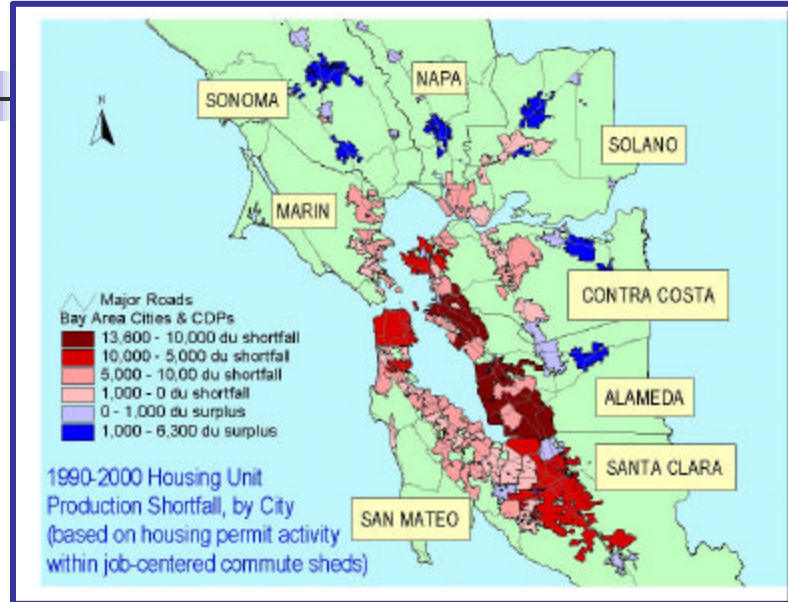


## The Late 1990s: A Job Growth/Housing Permit Imbalance

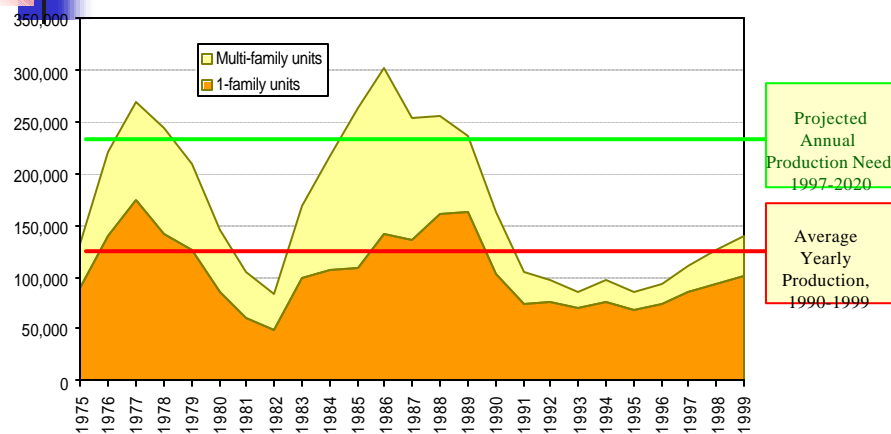


Source: UCB

Shortfalls are especially acute near coastal job centers

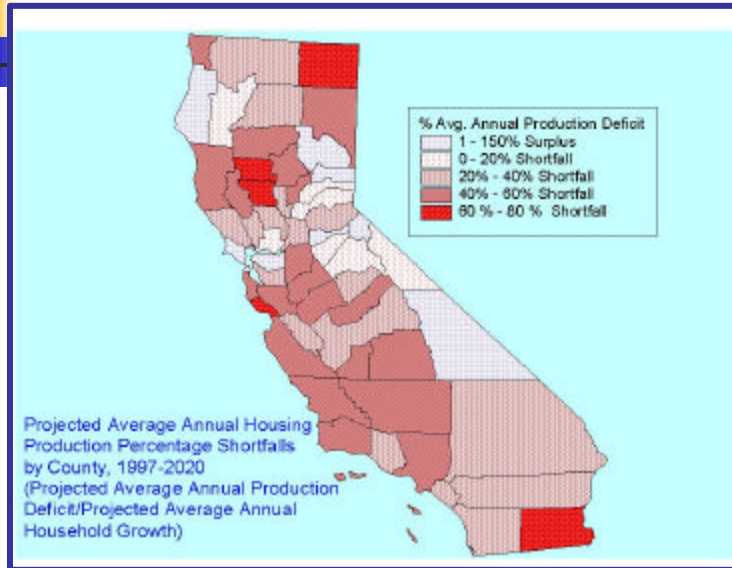


## Annual Housing Production Needs: 220,000 Units

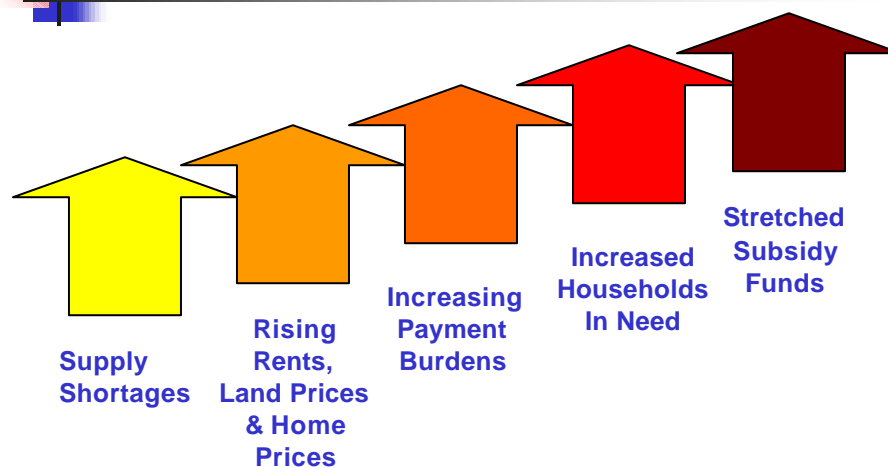


Source: HCD: Raising the Roof

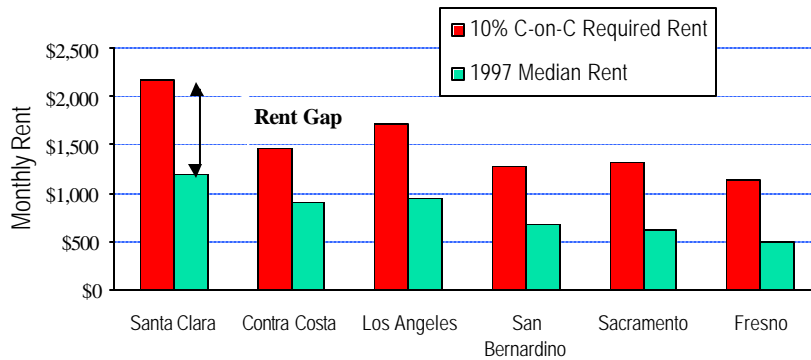
If nothing changes, housing production shortfalls will be the norm



## Supply Shortages and the Housing Affordability Crisis

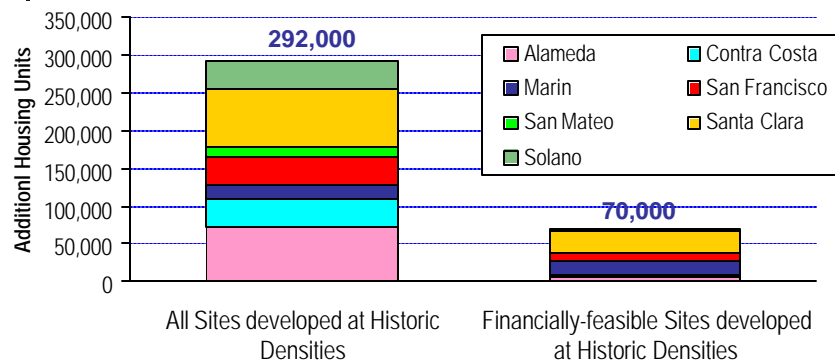


## 1997 Multi-family Rent Gaps {Required vs. Achievable Rent} in Six California Markets



Notes: Required Rent based on 10% cash-on-cash requirement; Median Rents from RealFacts

## Bay Area\* Residential Infill & Refill Capacity (Assuming Historical Local Densities)



\* Excludes Sonoma & Napa counties



## Past and Future Housing Shortfalls- Causes

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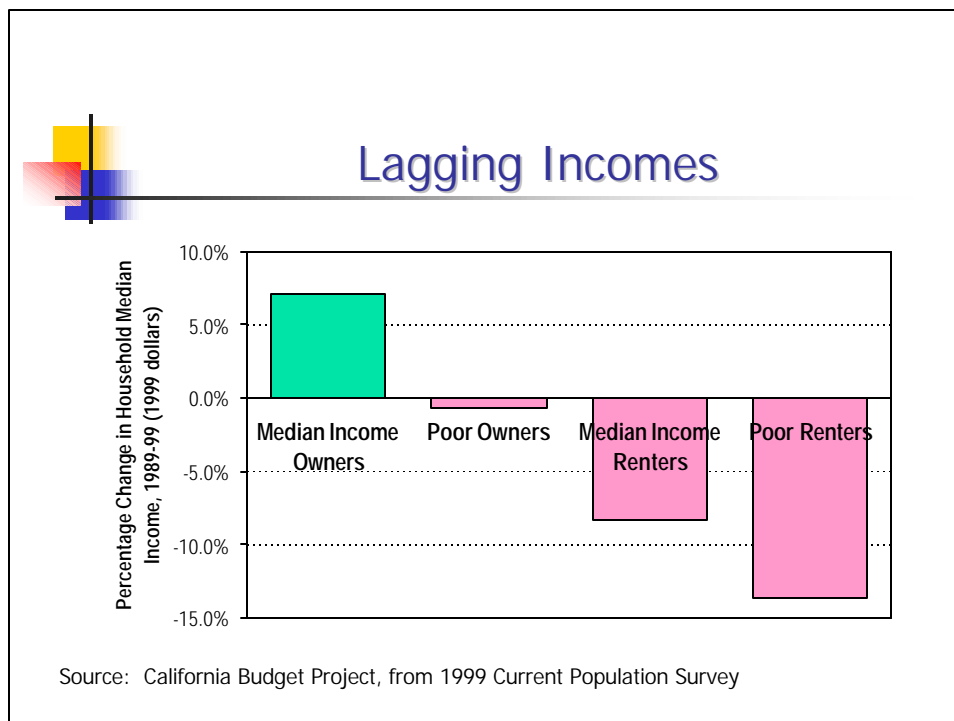
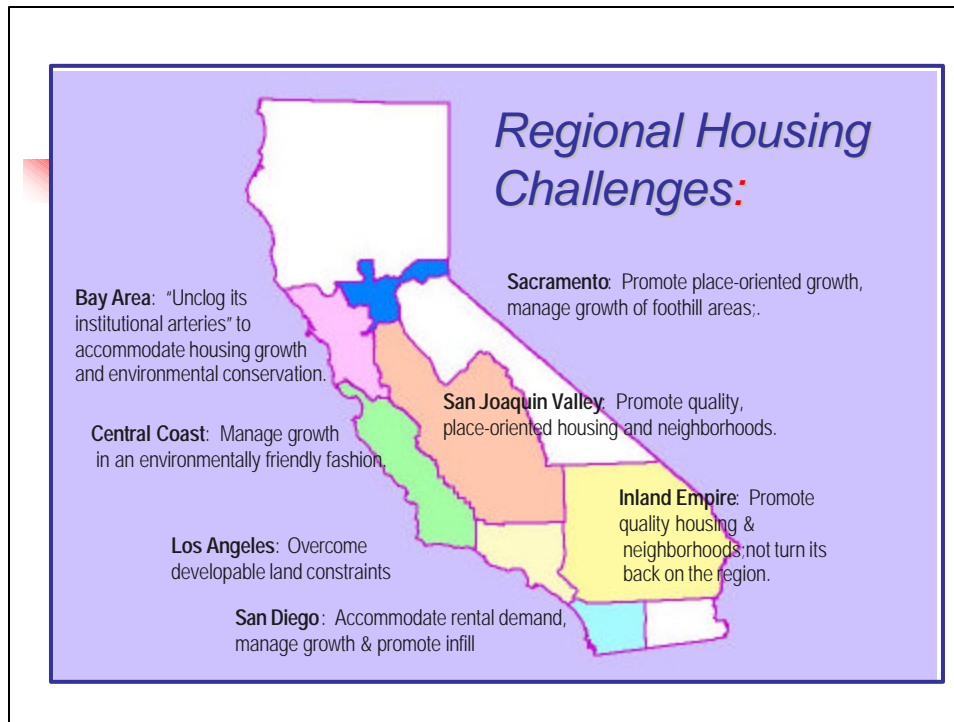
- Growth, Growth, and More Growth
- Planning Disconnect Between Jobs and Housing
- CEQA and the Rise of Permitting over Planning
- Unfavorable Economics of Mid-Market Apartment Construction
- The “Impossibility” of Infill/Refill
- Local Annexation Policies and General Plans that are Blind to Future Growth



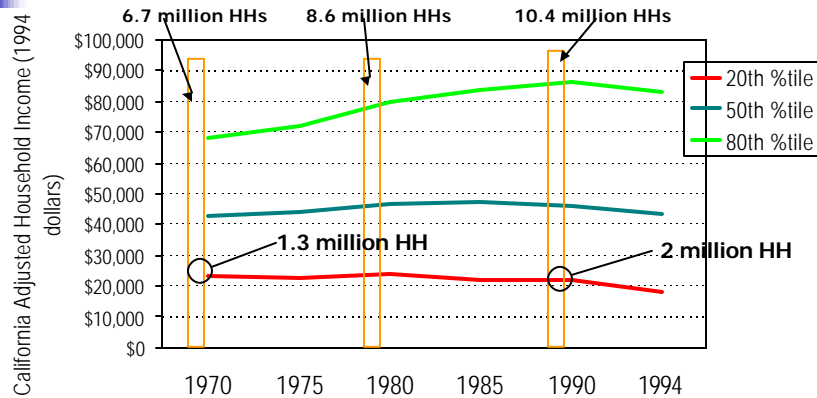
## Summary: Past and Future Housing Shortfalls-Causes

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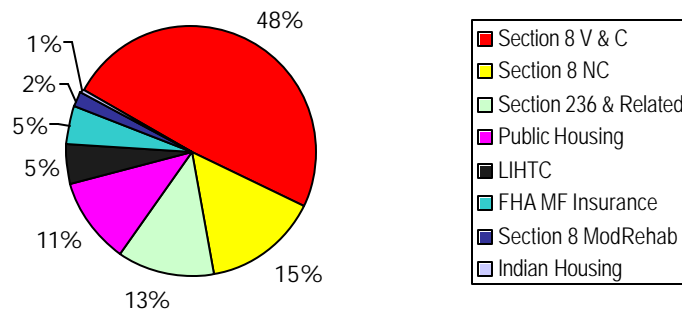
- Density and Housing Disincentives
- Homebuilder Myopia/Lack of Built-in Neighborhood Value
- Uncoordinated Approaches to Providing Low-Income Housing and Assisting Low-Income Households



## More Poor Households



## 1998 Federal Low-Income Housing Assistance to California by Program (excludes CDBG, HOME & ESG)

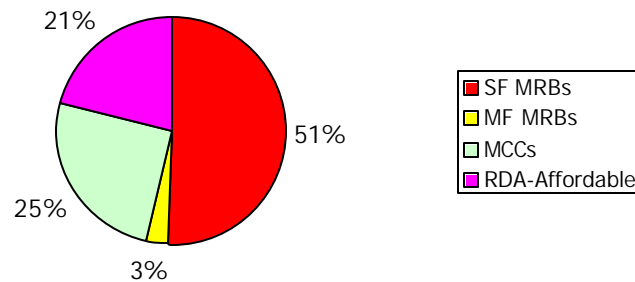


**411,112 California Households Received Federal Housing Assistance in 1998**

Source: HUD



## 1996-98 Avg. Annual California Housing Assistance Programs (excludes HCD low-income programs and non- RDA local programs)



\$1.8 Billion Avg. Annual Expenditures  
& Originations, 1996-98

Source: UCB



## Triple Whammy

This "triple whammy" of population growth, escalating rents, and a declining affordable housing stock will put further strain on an already over-stressed system, and turn what is currently a large housing needs gap into a vast canyon.

Raising the Roof, p 138.



## The \$64 Million Question

Either affordable housing is a matter of statewide importance or it isn't. If it is, "business as usual" shouldn't be the norm.

- Land use and regulatory reforms ("sticks")
- Incentives for good behavior ("carrots")
- Piggyback federal subsidy programs
- Ramp-up state and local subsidy programs



## Big Picture Strategies

- Reform the local planning and permitting process to expand the supply of market-rate and moderate income housing to check and (gasp!) maybe even reverse future rent and price increases.
- Promote increased infill, especially land recycling.
- Increase state bond funding for affordable housing.
- Increase local funding for affordable housing, particularly RDA funding.
- Where appropriate establish and expand affordable ownership programs.



## Prospective State Roles

### — Speak Loudly and Carry Bigger Sticks and Carrots

- Return of ERAF funds
- Increased bond financing to more aggressively reward SF and MF infill development (e.g., help pay for infrastructure upgrading)
- Take the lead in identifying **and conserving** environmentally sensitive lands.
- Planning assistance funds for local specific planning and 20-year capital improvements planning.
- Strengthen housing element law to require more explicit identification of future development sites in land use element.



## Prospective State Roles

### — Speak Loudly and Carry Bigger Sticks and Carrots

- State over-ride laws requiring UGBs to include 20-year land supplies (evaluated at recent densities); and eliminating use of fiscal impact criteria for rejecting housing projects in jurisdictions with large outstanding housing needs.
- Increase housing redevelopment set-aside requirement to 40%, and allow TIF use for residential area parking and traffic improvements.
- State HOME program to match local housing trust funds
- State law requiring 20% inclusionary units (80% or lower AMI) in jurisdictions with very low (e.g., 3% or less) vacancy rates.



## Coming to Our Senses

- We can't continue to rely on periodic economic downturns to restore housing affordability.
- Over-payment, over-commuting, and over-crowding **can get worse**.
- High market-rate housing prices **do** ultimately feed-back into the economy, adversely affecting economic growth.
- Failure to act will result in the emergence of two classes of Californians: homeowners and "permanent renters."